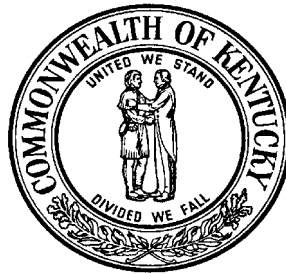


**REPORT OF THE AUDIT OF THE  
BRACKEN COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2001**



**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Dwayne Jett, Bracken County Judge/Executive  
Honorable Mike Nelson, Bracken County Sheriff  
Members of the Bracken County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Bracken County, Kentucky, for the year ended December 31, 2001.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Ross, PLLC, evaluated the Bracken County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure





**AUDIT EXAMINATION OF THE  
BRACKEN COUNTY SHERIFF**

**Calendar Year 2001**

**BERGER & ROSS, PLLC**

Certified Public Accountants & Fraud Examiners

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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**BRACKEN COUNTY SHERIFF**

**Calendar Year 2001**

Berger & Ross, PLLC has completed the Bracken County Sheriff's audit for calendar year 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presently fairly in all material respects.

**Financial Condition:**

Net receipts of the Sheriff's calendar year 2001 Fee Account increased by \$2,349 from the prior calendar year, resulting in excess fees of \$156 as of December 31, 2001. Revenues increased by \$19,901 from the prior year and disbursements increased by \$17,552.

**Report Comments:**

- The County Sheriff's Office Lacks Proper Segregation Of Duties

**Deposits:**

The Sheriff's deposits were fully properly insured and collateralized by bank securities or bonds. There was a written security agreement.

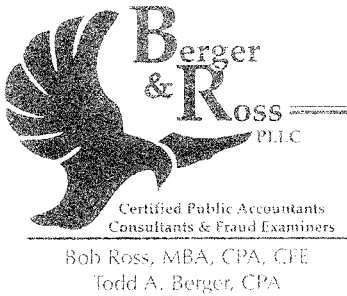


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County Auditors Association  
Kentucky Association of Auditors  
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Government Auditors Association

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Dwayne Jett, Bracken County Judge/Executive  
Honorable Mike Nelson, Bracken County Sheriff  
Members of the Bracken County Fiscal Court

#### Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Bracken County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the Bracken County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements and excess fees of the County Sheriff for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2002, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Dwayne Jett, Bracken County Judge/Executive  
Honorable Mike Nelson, Bracken County Sheriff  
Members of the Bracken County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Sheriff's Office Lacks Proper Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Barber", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -  
October 23, 2002

BRACKEN COUNTY  
MIKE NELSON, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2001

Receipts

Federal Contracts:

DARE	\$	5,400
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State Payments:

Finance and Administration Cabinet Payments	\$ 2,600	
KLEFPF Grant	3,312	
Transporting Prisoners	139	6,051

Circuit Court Clerk - Sheriff Security Service		5,033
--	--	-------

Fiscal Court		14,424
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County Clerk - Delinquent Taxes		1,525
---------------------------------	--	-------

Commission on Taxes Collected		77,908
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Other Fees on Tax Collection:

10% Sheriff's Penalty	\$ 12,236	
Sheriff's Advertising Fee	425	12,661

Fees Collected for Services:

Auto Inspections	\$ 2,380	
Serving Papers	10,351	
Accident Reports	396	
Delinquent Tax Sale	100	
Carrying Concealed Deadly Weapon Permits	2,240	15,467

Other:

Bank Shares	\$ 2,661	
Jury Expense	227	
Community Patrolling	1,572	
Bond	255	
Refunds	990	
Dog Tags	186	5,891

Gross Receipts (Carried Forward)	\$	144,360
----------------------------------	----	---------

The accompanying notes are an integral part of the financial statement.

BRACKEN COUNTY  
 MIKE NELSON, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 Calendar Year 2001  
 (Continued)

Gross Receipts (Brought Forward)		\$	144,360
Interest Earned			1,233
Borrowed Money:			
Bank Notes	\$	10,800	
State Advancement		45,000	55,800
Total Receipts		\$	201,393
<u>Disbursements</u>			
Operating Disbursements and Capital Outlay:			
Personnel Services:			
Deputies' Salaries	\$	35,680	
Other Salaries		19,613	
Parttime Wages		998	
KLEFPF		3,313	\$ 59,604
Employee Benefits:			
Insurance			517
Materials and Supplies:			
Office Equipment and Supplies	\$	1,174	
Uniforms and Equipment		601	1,775
Auto Expense:			
Maintenance and Repairs	\$	6,842	
Gasoline		4,732	11,574
Disbursements (Carried Forward)		\$	73,470

The accompanying notes are an integral part of the financial statement.

BRACKEN COUNTY  
 MIKE NELSON, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 Calendar Year 2001  
 (Continued)

Disbursements (Brought Forward)		\$	73,470
Other Charges:			
Bond	\$	671	
Postage		3,015	
Telephone		2,671	
Radar		30	
Travel/Conventions		1,020	
Dog Tags		157	
County Collections		2,840	
Juror Expense		227	
Carrying Concealed Deadly Weapon Permits		1,535	
Miscellaneous		<u>258</u>	12,424
Debt Service:			
Bank Note	\$	10,800	
Interest		568	
State Advancement		<u>45,000</u>	<u>56,368</u>
Total Disbursements			<u>\$ 142,262</u>
Net Receipts			\$ 59,131
Less: Statutory Maximum	\$	56,927	
Less: Training Incentive		<u>2,048</u>	<u>58,975</u>
Excess Fees Due County for Calendar Year 2001			\$ 156
Payment to County Treasurer - February 13, 2002			<u>156</u>
Balance Due at Completion of Audit			<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

BRACKEN COUNTY  
NOTES TO THE FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statements have been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentality's, obligations and contracts for future delivery or purchase of obligations back by good faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 7.17 percent for the first six months of the year, and 6.41 percent the last six months of the year.

BRACKEN COUNTY  
NOTES TO THE FINANCIAL STATEMENT  
December 31, 2001  
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

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COMMENT AND RECOMMENDATION



BRACKEN COUNTY  
MIKE NELSON, COUNTY SHERIFF  
COMMENT AND RECOMMENDATION

Calendar Year 2001

INTERNAL CONTROL - REPORTABLE CONDITIONS:

The County Sheriff's Office Lacks Proper Segregation of Duties

We recognize the extent of segregation of duties is a judgment established by management. We also recognize this judgment is affected by certain circumstances beyond the elected official's control such as functions prescribed by statutes and regulations, and by budgetary constraints. Due to limited staff, a proper segregation of duties may be impossible. However, the lack of adequate segregation of duties is hereby noted as a reportable condition pursuant to professional auditing standards. We believe this reportable condition as described above is a material weakness. We recommend the Sheriff establish a proper segregation of duties over his operations.

*County Sheriff's Response:*

*None.*

PRIOR YEAR COMMENTS:

The County Sheriff's Office Lacks Proper Segregation Of Duties

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





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Association of Government Auditors  
Association of State Auditors  
National Association of Accountants  
National Association of Taxpayers  
Taxpayers Federation of America

## To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Dwayne Jett, Bracken County Judge/Executive  
Honorable Mike Nelson, Bracken County Sheriff  
Members of the Bracken County Fiscal Court

### Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Bracken County Sheriff for the year ended December 31, 2001 and have issued our report thereon dated October 23, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Bracken County Sheriff's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bracken County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying comment and recommendation.

- The Sheriff Has A Lack Of Adequate Segregation Of Duties

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the following reportable condition to be a material weakness.

- The Sheriff Has A Lack Of Adequate Segregation Of Duties

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -  
October 23, 2002

